

Beginning Farmer Loan Program



Guidelines

Purpose: To assist individuals with farming experience who desire to develop, expand, or buy into a farming operation.

Terms:

1. Applicant must qualify as a Beginning Farmer as someone who:
 - a. Has not operated a farm or ranch for more than 10 years
 - b. Must have participated in business operation of a farm for at least 3 years
 - c. Substantially participates in the operation
2. Applicant (and spouse, if applicable) must have a combined net worth of less than \$500,000 at time of application
3. Applicant's personal off-farm income is less than \$75,000 annually or total household off-farm income is less than \$100,000 annually as evidenced by a minimum of the past two year's tax returns or maximum of three
4. Borrower is limited to an outstanding balance of no more than \$250,000 in this program
5. There must be a commitment by a participating lender who will work with the borrower to capitalize the initial investments outlined in the 5-year business plan. The lender will continue to evaluate additional credit needs of the applicant as presented, however, any additional credit will be at the discretion of the lender and according to the lender's normal credit underwriting policies.
6. Participating lender must be a financial institution with offices in Kentucky
7. KAFC will loan up to \$250,000 not to exceed 50% of the outstanding debt held by the participating lender on behalf of this applicant at the closing of this loan.
8. Maximum loan term is 15 years, but may be less than 15 years for certain loans
9. Initial interest rate will be 2% per annum and will be fixed for the term of the loan
10. There is no penalty for early repayment of the loan
11. Loan must be secured with both fixed assets and the personal guarantee of the borrower
12. Applicant must submit a 5-year business plan showing a reasonable return and an ability to retire the KAFC debt
13. Applicant must be a resident of Kentucky
14. Identification and commitment of a Mentor willing to advise the borrower on record keeping and business analysis during the term of the loan
15. KAFC shall review each application and supporting documentation; loan approval will be at the discretion of the KAFC board

Eligible Projects: Agricultural purchases include but are not limited to:

- Livestock purchases
- Equipment purchases
- Agricultural facilities
- Permanent working capital with provisions to lower KAFC's involvement each year
- Down payment on real estate
- Funds to invest in a farm partnership, LLC or other farm business structure
 - Applicant must receive equity equal to the investment being provided
 - Business into which borrower is investing must show a positive gain in net worth over the past five years
- Other agricultural investments at the discretion of the KAFC Board
- Refinancing of existing debt is not eligible with KAFC funds

Auction Policies:

Pre-auction approval: KAFC will consider a completed application requesting financing to purchase specific items at a specific auction. At time of application, the applicant must provide a list of potential purchases and an expected purchase price for each item. The auction must occur after KAFC approval. If KAFC approves the loan request, the loan amount will be limited to the total amount approved by the KAFC Board and no more than a 20% variance in purchase price for each item. If the applicant does not acquire the item(s) at the specified auction, the applicant will have up to 15 days after the auction to locate alternate items for those identified in the application within the price constraints identified above. The purchase of these items must be pre-approved by the KAFC Executive Director. If applicant does not adhere to the terms of the approval the KAFC commitment will be void.

Post-auction approval: KAFC will consider applications for items purchased through an auction if the completed application is received by KAFC within 30 days of the date of purchase. The applicant must have interim financing committed to the project and there is no implied commitment from KAFC in these situations. KAFC will not accept applications for items already purchased through a private treaty sale. KAFC stresses that the applicant should already have their business plan, mentor, and lender finalized before the auction.

Other Details:

Mentoring partner must meet one of the following criteria: KCTCS instructor in business or agricultural related programs; High school agricultural instructor; UK Farm Analysis Specialist; University or Extension Personnel, Kentucky Beef Network Facilitator; or Other agricultural management professional at the discretion of KAFC. Approved mentors must have no financial interest in the applicant's farming operation.

Lead lender is required to prepare and submit the loan application. Lender must be committed to provide additional financing as outlined in the completed application. Lender must agree to service the KAFC loan for no more than 100 basis points (1%) for the term of the loan. The fee will be added to the KAFC rate.